

Message Text

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FM AMEMBASSY MOSCOW

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AMEMBASSY TEHRAN

C O N F I D E N T I A L MOSCOW 2853

E.O. 11652: GDS

TAGS: ETRD, EINV, IR, UR

SUBJECT: IRANIAN FINANCING FOR SOVIET PULP AND PAPER COMPLEX

USDOC FOR BEWT/TDAD (PLANIGAN)

REF: TEHRAN 1894

1. EMBASSY NOTES WITH INTEREST REPORT REFTEL ON IRANIAN AGREEMENT FINANCE CONSTRUCTION OF PULP AND PAPER COMPLEX IN USSR WITH REPAYMENT IN FORM OF PRODUCT OF THIS PLANT, PARTICULARLY IN VIEW FACT THAT INTERNATIONAL PAPER IS RELATIVELY FAR ADVANCED IN ITS DISCUSSIONS OF SIMILAR PROJECT HERE.

2. ON BASIS INFORMATION AVAILABLE TO EMBASSY IT WOULD APPEAR THAT IP HAS TWO MAJOR PROBLEMS WHICH MUST BE RESOLVED BEFORE IT CAN GO AHEAD WITH ITS PROPOSED PROJECT: A) FINANCING; AND B) HANDLING PRODUCT OFF-TAKE IN SUCH A WAY AS TO AVOID DAMAGE TO IP'S OWN MARKETS.

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3. IF IRANIAN FINANCING WERE AVAILABLE FOR IP PROJECT AND IF IRAN

WERE INTERESTED IN TAKING SUBSTANTIAL PORTION OF PRODUCTION OF PLANT IN PAYMENT, BOTH OF THESE PROBLEMS COULD BE SUBSTANTIALLY RESOLVED. AS FAR AS EMBASSY IS AWARE, IRAN DOES NOT CURRENTLY HAVE MACHINERY MANUFACTURING CAPABILITY WHICH WOULD MAKE IT COMPETITOR WITH U.S. INDUSTRY FOR SUPPLY OF EQUIPMENT FOR PULP AND PAPER PLANT IN USSR.

4. EMBASSY WOULD BE INTERESTED IN LEARNING FROM EMBASSY TEHRAN WHETHER THERE HAVE BEEN ANY DISCUSSIONS BETWEEN IRANIANS AND IP REGARDING POSSIBLE COOPERATION ON USSR PROJECT. IF IP HAS NOT YET LOOKED INTO THIS POSSIBILITY, USDOC/BEWT/TDAD MIGHT WISH TO ALERT COMPANY TO AVAILABILITY OF IRANIAN FINANCING.

5. ON MORE GENERAL SUBJECT OF OBTAINING FINANCING FOR U.S. MACHINERY EXPORTS AND COMPLETE PLANT PROJECTS IN USSR, EMBASSY BELIEVES IT WOULD BE USEFUL TO CONSIDER POSSIBILITY OF USING PETRODOLLARS FOR THIS PURPOSE. WHILE MORE CONSERVATIVE CREDITOR COUNTRIES SUCH AS SAUDI ARABIA AND UAE WOULD ALMOST CERTAINLY NOT BE INTERESTED IN UTILIZING THEIR SURPLUS FUNDS FOR SUCH PURPOSES, BOTH KUWAIT AND IRAN MIGHT WELL BE INTERESTED. ALTHOUGH ANY TRANSACTION OF THIS NATURE WOULD INVOLVE LONG-TERM PLACEMENTS, WHICH THESE COUNTRIES HAVE TRIED TO AVOID UP TO NOW, WE UNDERSTAND THAT INTERNATIONAL COMMERCIAL BANKING COMMUNITY IS SHOWING INCREASING RELUCTANCE TO ABSORB PETRODOLLARS ON SHORT-TERM. AS A CONSEQUENCE, PROVIDED POLITICAL CONSIDERATIONS FAVORABLE FROM U.S. STANDPOINT, COUNTRIES SUCH AS KUWAIT AND IRAN MIGHT BE GOOD SOURCE OF FINANCING, AT LEAST IN PART, FOR SEVERAL OF THE MAJOR PENDING US-SOVIET "COMPENSATION" DEALS. STOESEL

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